

## **FISCAL NOTE**

### **SB 3461 - HB 3532**

March 7, 2004

**SUMMARY OF BILL:** Increases the amount of the job tax credit against franchise and excise taxes from \$3000 to \$4000 in an economically distressed county. Reduces the net full-time employment increase required to take the credit from 25 jobs to one job if the business is a high-tech or other type of emerging qualified business making the required capital investment in an economically distressed area. Codifies the definition of "an economically distressed county" to mean one that, within the last 24 months, had an average number of dislocated workers in the county exceeding the Tennessee average or has a per capita income less than the Tennessee average. Redefines a "qualified business enterprise" by removing the provision that the required capital investment can only be made in "Tennessee real or tangible personal property". Redefines "qualified business enterprise" to include high-skill, high-wage jobs in high-technology areas that have met the required capital investment in an economically distressed county and receive approval from the commissioner of the Department of Economic and Community Development.

### **ESTIMATED FISCAL IMPACT:**

#### **Decrease State Revenues - Exceeds \$100,000**

Estimate assumes:

- According to F&E tax data over the last five years, an average of 10 taxpayers claimed a jobs tax credit in economically distressed counties.
- Due to credit limitations, only five of these taxpayers would be able to take advantage of the \$1000 increase in the credit.
- By lowering the qualification criteria from 25 new jobs to onenew job, more companies will be able to take advantage of the credit.

The Department of Revenue contends that declines in revenue resulting from this bill may possibly be offset by secondary effects, such as new business formation and job creation that result in increased revenue to state and local governments. Any such effects are not sufficiently measurable to be included in the quantifiable fiscal impact of this bill.

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director